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C O N F I D E N T I A L SECTION 01 OF 02 MAPUTO 001322

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TAGS: [PGOV](#) [ECON](#) [EAID](#) [ETRD](#) [PREL](#) [MZ](#)

SUBJECT: PRIME MINISTER DISCUSSES INVESTMENT, AID,
CORRUPTION

Classified By: Charge d'Affaires Todd C. Chapman, Reasons 1.4(b) & (d)

¶11. (C) Summary: The Charge and USAID Director met with Prime Minister Luisa Diogo on 11/8 and discussed business environment concerns, the important USG role in donor assistance, efforts to reduce corruption in government, peacekeeping and Zimbabwe. Clearly grasping how to make bureaucracy more efficient, she was most comfortable with investment and assistance issues, but she also said the right things on anti-corruption and PKOs while avoiding Zimbabwe altogether. End Summary.

Business Environment

¶12. (U) Charge noted continued USG interest in the private sector in Mozambique, adding that recent conversations with U.S. businesses had centered on obstacles they face in investing. He observed that Mozambique's score was still quite low in the worldwide 'Doing Business' ranking published by the World Bank, and noted that the country of Georgia had made the largest leap ever in the rankings when the PM of that country took the initiative to focus on investment reforms. USAID Director also noted that the USG sees much activity by the Ministry of Commerce to support investment, but not as much by other ministries, and asked Diogo if she could play a role in focusing all Ministers on these reforms.

¶13. (U) The PM agreed, noting that many bureaucrats do not understand the concept of customer service. She said that the GRM was working to increase the number of 'one-stop' windows for government services in the provinces, which could help. She noted that the Doing Business rankings reflected 2006 data and did not include the significant progress that the GRM had made this year. She also said that she had convoked regular meetings of the permanent secretaries of each ministry to reduce stovepiping and to increase communication on cross cutting issues, which was increasingly successful, and added that she wanted to learn more about Georgia's experience.

Development

¶14. (U) Charge emphasized the USG's status as the largest bilateral donor to Mozambique. USAID director highlighted USG assistance in the tourism sector, particularly in the Gorongosa, Pemba, and Niassa regions. The PM expressed great interest in these projects. She noted hoteliers currently enjoying commercial success in Pemba were evaluating a \$400m

tourism complex in Inhambane. She also pointed to \$50m in Chinese financing for upgrades to Maputo's airport, set to begin this year, while Spain was assisting in construction of airport facilities in Pemba. She added that agricultural projects in the banana and cashew sectors were underway.

Anti-Corruption

15. (SBU) Pointing to our role as a key donor, USAID Director asked how we and other international players should support anticorruption efforts in Mozambique. The PM immediately responded that donors needed to support the GRM five-year development plan, which included an anticorruption agenda. She said that the international community and the GRM were reacting 'just in time,' before the situation worsened. In particular, she said the GRM, with World Bank assistance, was considering ways to significantly increase public workers' salaries in a bid to reduce graft.

Zimbabwe, Peacekeeping

16. (C) The Charge expressed concern about the situation in Zimbabwe, and strong USG interest in GRM participation in PKOs. He noted the opportunity to professionalize the country's armed forces and raise the country's profile regionally. Skipping over Zimbabwe, the PM said participating in PKOs was important given the country's history as a post-conflict success story, but made no commitments. Alluding to the country's increased international stature, she pointed to the Mo Ibrahim African Leadership Prize recently awarded to former President

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Chissano, who she called 'more African now than Mozambican' given his work in countries throughout the continent.

Comment: Sophisticated on Economic and Aid issues

17. (C) The PM showed a sophisticated grasp of how to work the bureaucracy, how to make government systems work more efficiently, and obviously understood the importance of the USG's role as a key donor. Clearly most comfortable in discussing assistance and economic issues, she delved deeply into technical detail in these areas. Making all the right statements about improving the business environment, she seemed somewhat defensive about Mozambique's assessed ranking in recent reports in this area. Her references to former President Chissano seem to confirm the consensus view locally that Diogo remains a close political ally of Chissano's, and therefore on occasion at odds with President Guebuza and his inner circle. Diogo, age 49, is a bright, articulate, and impressive official often mentioned as a possible future presidential candidate. Following this introductory call, we better understand the reasons for this speculation.

Chapman